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CANADA

Ameritrade, Datek to set up Canadian shops

SETTLEMENT DEAL

U.S. online brokers pay $800,000 fines

BY GARRY MARR

Datek Online Brokerage Services Inc. and Ameritrade Inc. will be seeking registration to do business in Canada as part of a settlement with securities regulators across the country.

The two U.S. online brokerages, along with TD Waterhouse Investors Services Inc. (US), will each pay an $800,000 fine for allowing Canadian investors to open accounts despite the fact the brokerages were not registered to do business in Canada.

Under an agreement with the Canadian Securities Administrators, an umbrella group for 13 securities regulators in the provinces and territories, Datek and Ameritrade will now seek registration with the Investment Dealers Association of Canada. TD Waterhouse had already transferred its Canadian clients to its operations in Canada.

"We want to ensure Canadian residents have the protection of the law," said Sasha Angus, chief enforcement counsel with British Columbia Securities Commission, which negotiated the settlement on behalf of the CSA.

'INTERNET IS JUST ANOTHER MEDIUM'

Datek and Ameritrade have both been granted exemptions to continue making trades on behalf of existing clients until Sept. 30 while they apply for registrations.

The *Financial Post* first reported in November that Datek had applied to the IDA for registration.

In a joint submission from securities commissions from Ontario, Quebec, Manitoba, Nova Scotia, British Columbia and Alberta, it was agreed that three firms had been making trades on behalf of residents in Canada since January, 1999, without being registered to do so — a violation of securities legislation in all of the jurisdictions.

The Ontario Securities Commission called the conduct "contrary to the public interest" but many Canadians have been opting for the U.S.-based accounts because of the lower brokerage fees and the investment products that are otherwise not available in Canada.

Mr. Angus said the regulators were not trying to punish Canadian investors but instead wanted to make sure they were protected by local laws.

"The Internet is just another medium of trading, it's no different that using a telephone," he said.

Regulators say there are other brokerages from outside the country currently offering to trade securities to Canadians without being registered and they will track them down.

"We are able to track them through various methods," said Mr. Angus, noting firms are forced to advertise when they open for business.

Financial Post
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APPOINTMENT OF
Donald L. Krogseth TO PEMBINA BOARD OF DIRECTORS

Donald L. Krogseth

Pembina Pipeline Corporation chairman Lorne B. Gordon is pleased to announce the appointment of Donald L. Krogseth to Pembina's Board of Directors.

Mr. Krogseth was Senior Partner & Director of The CC&L Financial Services Group, institutional portfolio managers, from 1989 until June 2001 and served as Director of five CC&L subsidiaries.

Prior thereto, from 1969 Mr. Krogseth was Vice President and Founding Partner of Dixon Krogseth Ltd., an institutional and private portfolio management firm, after spending many years with a national investment dealer. A fellow of the Canadian Securities Institute since 1965, Mr. Krogseth is actively involved in community and charitable endeavors, having served as Director on numerous boards including his current role as Director of the Nature Trust of British Columbia.

Pembina Pipeline Corporation is Canada's leading oil and natural gas liquids feeder pipeline transportation business, transporting 525,000 barrels per day of petroleum products from key production areas in western Alberta and northeastern British Columbia. Pembina Pipeline Corporation is a wholly owned subsidiary of Pembina Pipeline Income Fund, a publicly traded Canadian income fund that is one of Canada's largest infrastructure funds, with total capitalization of $1 billion.

Pembina Pipeline Income Fund trust units are listed on the Toronto Stock Exchange under the symbol PIF.UN.

PEMBINA

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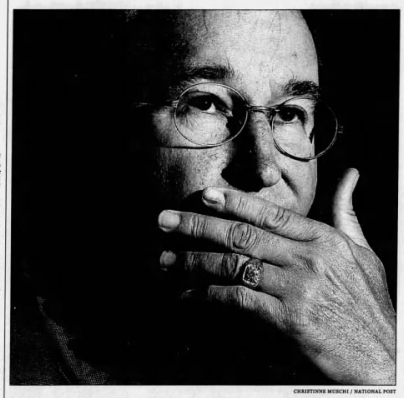
Problem-plagued company tries to distance itself from past


CHRISTINNE MUSCHI / NATIONAL POST

"Trust the new management," Alex Delisle, president and chief executive of Jitec, said yesterday.

JITEC AIMS FOR FRESH START WITH NEW NAME

ADVANTAGE LINK INC.

BY SEAN SILCOFF

MONTREAL • Computer networking firm Jitec Inc. tried yesterday to distance itself from its past problems by adopting a new name and reduced growth prospects.

Shareholders voted to change the fledgling company's name to Advantage Link Inc. at the company's first annual meeting since a reverse takeover of a Montreal Exchange-listed mining company last summer.

Alex Delisle, the company's president and chief executive, admitted the name change had much to do with Jitec's loss of credibility in its short life as a public company. "Trust the new management," Mr. Delisle told reporters after facing a roomful of skeptical shareholders at a downtown hotel. "We've cleaned up the company very well. Changing names, we've turned the page ... let us put our market plan and strategy together. And then watch us go. We'll deliver quarter after quarter."

Most of Jitec's problems were linked to its 28-year-old founder and largest shareholder, Benoit Laliberté, who stayed away from yesterday's meeting on the advice of his press agent, Daniel Larouche. "If Mr. Laliberté had been here, obviously he would have been a lightning rod for a lot of aggressiveness, a lot of discontent," Mr. Larouche said.

Mr. Laliberté started Jitec in his basement as a developer of video games and later won a Quebec entrepreneur-of-the-year competition after opening a handful of computer stores.

He promised Jitec would take care of the computing needs of small firms and institutions. Jitec stock quickly ran up from an opening price of $3.80 in late July to more than $10 two weeks later on the Montreal Exchange. But investors soured on Jitec after it trumpeted two deals with misleading press releases.

The company indicated it had concluded two deals worth $145-million when in fact they were still in the works. One deal failed to generate any orders, while the other has since yielded only a fraction of the $40-million initially touted by Jitec.

Mr. Laliberté's credibility was permanently damaged last November when the Quebec Securities Commission banned him from buying or selling his own stock, stating he had engaged in an exceptional and "improper" amount of trading and had failed to report some trades.

Mr. Laliberté stepped down, denied all wrongdoing and vowed to return. Instead, he was replaced by Mr. Delisle, a computer industry veteran, and ordered to repay $2-million in unauthorized advances from the company. Mr. Laliberté has since been allowed to trade again, but is required to vote his shares with management and have no involvement with the company.

Financial Post
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The regulators save the day

Saving Canadians from low-priced online brokerages

JONATHAN CHEVREAU
Personal finance

Once again, regulators have come to the rescue of Canadian investors.

Rescued them from low brokerage commissions, low-fee investments, superior research and a wide variety of products available only through U.S. brokerage firms.

And investors are duly grateful to the Ontario Securities Commission and its counterparts in other provinces, which yesterday clarified the ground rules for U.S. brokers wishing to serve Canadians.

"Oh, thank you, OSC, for rescuing us from the dastardly Americans, who have exposed us to the evils of lower prices, more choice, and better protection," said Lethbridge, Alta.-based investor Keith Betty. "This isn't 'protection' except of the jobs of the bureaucrats."

While no U.S. securities law prevents Canadians from using U.S. brokers, provincial regulations require foreign investment dealers wishing to sell securities to Canadian residents be registered in the applicable provinces.

For a time, our regulators tolerated Canadians dealing with non-registered foreign firms. They turned a blind eye to the practice for at least two years, until it cracked down last fall. The pressure came not from consumers but — I suspect — from the Canadian financial services industry, which takes a made-in-Canada approach to high stock commissions and lucrative mutual fund management fees.

Yesterday, the Canadian Securities Administrators administered an $800,000 slap on the wrist to three U.S. brokers, including TD Waterhouse Group Inc., allowing them to serve Canadians if they register in the provinces they wish to serve and/or establish offices there.

But investor advocates harbour no illusion that such a "solution" will mean the kind of low commissions they enjoyed when dealing directly with those firms in the United States. The U.S. arm of TD Waterhouse charges its clients US$12 a trade while TD Waterhouse Canada charges its investors US$29 a trade. Some U.S. discount brokers charge as little as US$1 a trade.

"Even if Datek comes to Canada by 'proper' means, how likely is it that they'd charge U.S. prices and not do what TD, E*Trade and Schwab do, i.e., charge what the market will bear?" asked Toronto-based Bylo Selhi, who uses that handle on Internet discussion forums.

It's unlikely Ameritrade Inc. or Datek Online Holdings Corp. — singled out yesterday — could match their U.S. cost structures because they'll have to comply not only with Canadian regulations but also contribute to the Investment Dealers Association's Canadian Investor Protection Fund. More likely, their fees will be two or three times higher, which is the differential between the U.S. and Canadian arms of TD Waterhouse.

OSC spokesman Frank Switzer sees no link between regulatory costs and brokerage fees. He says the U.S. fees are lower because of economies of scale and competition, and he hopes yesterday's measures will increase competition in Canada.

TD Waterhouse U.S. had already come into line with the OSC's wishes last October, when Canadian customers were told they had to switch their accounts to the higher-fee Canadian operation or take their business elsewhere.

Outraged Waterhouse customers regarded this as nothing less than an "eviction" order. But instead of placating them, TD upped the ante in its own favour. In February, customers able to keep their U.S. Waterhouse account — by using a relative with a U.S. address — lost a free card providing a 1% rebate. Instead, they were asked to switch to a card with no rebate but which charged $25 a year.

"I am dumbfounded it came to this," says George Luste, a University of Toronto physics professor who uses a U.S. broker, "If we ever needed proof this is an asylum-run-by-the-inmates country, this is it. While the Lottery Commission promotes gambling, the security commission forbids frugality."

For active day traders, lower commissions were the driving force to use U.S. brokers.

Long-term "buy and hold" style investors were less motivated by commission costs than the lower ongoing Management Expense Ratios (MERs) exported by such U.S. firms as Vanguard Group of Valley Forge, Penn.

Despite occasional rumours, the U.S. giant has yet to set up a Canadian operation.

With the local availability of cheap index funds and exchange traded funds "one of the main reasons for using a U.S. brokerage has gone away, unless you're a day trader," Betty says.

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